

Report to Audit Committee

2022/23 Internal Audit and Counter Fraud Progress Report

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member Finance and Low Carbon

Officer Contact: John Miller – Head of Audit & Counter Fraud

Report Author: John Miller – Head of Audit & Counter Fraud

1 November 2022

Reason for Decision

To provide Members with a high-level progress report on the work of the Internal Audit and Counter Fraud team for the 2022/23 financial year.

Executive Summary

The report summarises the work carried out by the team from 1 April 2022 to 30 September 2022.

In the first 6 months of the year the team prioritised finalising work on the Fundamental Financial Systems (FFS) reviews to support the 2021/22 audit of the financial accounts, and draft final reports have been issued.

In addition, other Audit and Counter Fraud Team activity includes:

- Continued support in respect of COVID-19 grant funding regimes, including responding to Central Government requests for supporting information in respect of grants paid.
 - Continued support in providing assurance in respect of other Central Government Grant regimes.
 - Compilation of the Annual Audit Report and Opinion and other reports for this Committee.
 - Completion of audit reviews in connection with MioCare FFS and Glodwick Infant and Nursery School.
-

- Ongoing work in connection with the Alexandra Park Eco project, North Chadderton School Project, and a review of the Council's Let Estate function.
- Commencement of audit reviews in connection with The Oldham Library project, Land Sales, Housing Strategy, the Council's Let Estate.
- The Counter Fraud and Direct Payments Audit Teams (Adults and Children) have continued to deliver outcomes which have generated £1,706,100 and £61,356 (respectively) during the 2022/23 financial year to 30th September.

Recommendation

Members are requested to note the 2022/23 Audit and Counter Fraud Progress Report.

2022/23 Internal Audit and Counter Fraud Progress Report

1. Background

1.1 This report summarises the work of the Audit and Counter Fraud Team between 1 April and 30 September 2022.

1.2 The main content of the report is structured as follows:

- Section 2: 2022/23 Audit and Counter Fraud Plan: Progress Update.
- Section 3: Corporate Counter Fraud.
- Section 4: Audit of Direct Payments.

2. 2022/23 Audit and Counter Fraud Plan: Progress Update

2.1 Priorities for the 2022/23 Audit and Counter Fraud Plan are:

- Fundamental Financial Systems (FFS) reviews to provide assurance in support of the Authority's annual financial statements.
- Audits which are classed as "high priority" in the Annual Audit Needs Assessment.
- Counter Fraud work to identify fraud risks within the corporate systems.
- Specific fraud investigations on Council Tax Reduction and Corporate Fraud.
- Delivery of the financial audits of Direct Payments in line with service plans and targets.
- Support and provide assurance in connection with postal votes for local, regional, and parliamentary elections.

Progress against these priorities is summarised below:

Completion of 2021/22 Fundamental Financial Systems (FFS) reports

2.2 Work commenced on these reviews in October 2021. Interim FFS reports were issued by the 31 March 2022 and final reports during Quarters 1 and 2 of 2022/23. Members have received reports on the findings and opinions of the 2021/22 FFS reports throughout 2021/22, and as part of the Audit and Counter Fraud Team's reporting for the year as a whole. There are no further significant updates to report upon at this time in respect of our FFS work for 2021/22. Further details can be found at Appendix 1.

2022/23 Fundamental Financial Systems (FFS) reports

2.3 Work in connection with the current year FFS reviews has commenced, and the outcomes of these reviews will be reported later in the financial year.

Non-FFS related work

2.4 In addition to the 2021/22 FFS related reports the team has also issued School Audit Reports to St Joseph's Primary School and Glodwick Infant & Nursery School, the MioCare annual FFS report, and a briefing note and report on Postal Voting during the last election.

Grant Assurance Reviews

2.5 Further ongoing work was also undertaken in connection with grant funding schemes in response to the COVID-19 pandemic, primarily responding to Central Government requests for supporting information and/or assurance statements to ensure grant funding has been utilised as intended.

- 2.6 Requests for this type of work have been both frequent and received at relatively short notice. The team has completed eleven pieces of work since April, with an expectation that further requests for this type of assurance work may be received. Each piece of assurance work requires verification of significant expenditure and, as such, each represents a small, targeted audit in itself.

Other work undertaken

- 2.7 In addition to our annual FFS work on Adult Social Services in connection with Direct Payments and Residential Care, we continue to contribute to Adult Social Care Service working groups to address the concerns raised in the FFS audit reports in these areas.
- 2.8 Other work currently underway includes a review of the Alexandra Park Eco project, North Chadderton School Project, and a review of the Council's Let Estate function. The findings from these reviews will be reported in due course.
- 2.9 Preparatory work is also underway in respect of a number of other reviews due to progress to fieldwork stages. These include reviews in connection with the Oldham Library Project, Home to School Transport, Land Sales, the Council's Housing Strategy, and specialist IT audit reviews of both Change Management and Asset Management processes and controls to be undertaken by Salford Computer Audit Services (SCAS), which is part of Salford Council.
- 2.10 The team has also supported both the Director of Finance and other colleagues within the Finance Service, and in other service areas, with ad hoc requests for support and assistance throughout the period.

3. Corporate Counter Fraud

- 3.1 The Corporate Counter Fraud Team continues to perform well. Appendix 2 sets out the key outcomes from the work conducted.
- 3.2 Highlights include the identification of:
- 20 positive cases of Council Tax Reduction (CTR) fraud and error
 - £29k of Council Tax Reduction (CTR) fraud and error savings.
 - £54k of Housing Benefit fraud and error overpayments identified as part of CTR investigations.
 - 68 positive cases of non-CTR fraud/misuse including Business Support Grants, Council Tax Discount Fraud (SPD), Blue Badge Misuse and Direct Payment Misuse.
 - £124k of non-CTR misuse and overpayments as outlined in Appendix 2.
- 3.3 In line with the priorities agreed by the Audit Committee, the Counter Fraud Team will continue to:
- collaborate with the Internal Audit Team, and;
 - ensure the delivery of the Internal Audit and Counter Fraud Plan 2022/23.

4. Audit of Direct Payments

- 4.1 The Direct Payments Audit team has a dual role, as a compensating control, of:
- ensuring client spending is in line with their agreed Support Plan. and;
 - identifying overpayments made / or client contributions outstanding for recovery.
- 4.2 Appendix 3 shows the monthly Direct Payments Audit volumes and financial outcomes arising from Adults Services and Children's Services, which are £1,706,100 and £61,356 (respectively). Following the Direct Payment Audits, in approximately 70% of cases, an invoice
-

is raised to recover an under spend, expenditure not in line with the support plan, or misuse of the Direct Payments.

4.3 In summary, the team carried out 731 Adults and Children's Direct Payment Audits.

5 **Options/Alternatives**

5.1 The Audit Committee can either:

- a) choose to accept and note the progress achieved and performance by the Audit and Counter Fraud Team; or
- b) decline to accept and note the progress achieved and performance by the Audit and Counter Fraud Team and suggest an alternative approach.

6 **Preferred Option**

6.1 The preferred option is that the Audit Committee accepts and notes the progress achieved and performance by the Audit and Counter Fraud Team.

7 **Consultation**

7.1 N/A.

8 **Financial Implications**

8.1 N/A.

9 **Legal Services Comments**

9.1 N/A.

10 **Cooperative Agenda**

10.1 N/A.

11 **Human Resources Comments**

11.1 N/A.

12 **Risk Assessments**

12.1 The 2022/23 Audit and Counter Fraud Plan is prepared, reviewed, and updated using a risk-based approach. The Terms of Reference for each agreed project are also determined using a risk-based methodology. (Mark Stenson)

13 **IT Implications**

13.1 N/A.

14 **Property Implications**

14.1 N/A.

15 **Procurement Implications**

15.1 N/A.

16 **Environmental and Health & Safety Implications**

16.1 N/A.

17 **Equity, Community Cohesion and Crime Implication**

17.1 N/A.

18 **Equality Impact Assessment Completed**

18.1 No.

19 **Forward Plan Reference**

19.1 N/A.

20 **Key Decision**

20.1 No.

21 **Background Papers**

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act

File Ref: Background papers are included as Appendices 1, 2 & 3
Officer Name: John Miller
Contact: john.miller@oldham.gov.uk

22 **Appendices**

22.1 The following Appendices are available to support this Report:

- **Appendix 1:** Summary of Audit Reports/Outcomes – 1 April to 30 September 2022
 - **Appendix 2:** Counter Fraud Results – 1 April to 30 September 2022
 - **Appendix 3:** Direct Payments Audit Results – 1 April to 30 September 2022
-

Audit and Counter Fraud 2022/23 - Summary of Audit Reports/Outcomes - 1 April 2022 to 30 September 2022

Report Ref	Directorate	Audit Review/Counter Fraud Report	Report/Briefing Note	Quarter	Opinion
1	Chief Executive	2021/22 Draft Final Report – Council Tax	Report	Q1	Inadequate
2	Chief Executive	2021/22 Draft Final Report – Business Rates (NDR)	Report	Q1	Adequate
3	Chief Executive	2021/22 Draft Final Report – Treasury Management	Report	Q1	Good
4	Chief Executive	2021/22 Draft Final Report – Bank Reconciliations	Report	Q1	Good
5	Chief Executive	2021/22 Draft Final Report – Payroll	Report	Q1	Adequate
6	Chief Executive	2021/22 Draft Final Report – Housing Benefit	Report	Q1	Adequate
7	Chief Executive	2021/22 Draft Final Report – Council Tax Reduction	Report	Q1	Adequate
8	Chief Executive	2021/22 Draft Final Report – Accounts Payable	Report	Q1	Adequate
9	Chief Executive	2021/22 Draft Final Report – Accounts Receivable	Report	Q1	Adequate
10	Chief Executive	2021/22 Draft Final Report – Direct Payments	Report	Q1	Inadequate
11	Chief Executive	2021/22 Draft Final Report – Residential Care	Report	Q1	Inadequate
12	Chief Executive	2021/22 Draft Final Report – Fixed Assets	Report	Q1	Adequate
13	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Building Control)	Report	Q2	Adequate
14	Place & Economic Growth	2021/22 Draft Final Report – Cash Income (Fleet Management)	Report	Q2	Adequate
15	Children & Young People	St Joseph's Primary	Report	Q2	Inadequate
16	Chief Executive	Contain Outbreak Management Fund	Grant Assurance	Q2	Assurance
17	Chief Executive	Prevention and Promotion for Better Mental Health	Grant Assurance	Q1	Assurance
18	Chief Executive	Test and Trace Support Payments	Grant Assurance	Q2	Assurance
19	Chief Executive	Universal Drug Treatment Grant	Grant Assurance	Q1	Assurance
20	Chief Executive	Public Sector Decarbonisation Grant (AGMA) – Low Voltage Lighting	Grant Assurance	Q1	Assurance

21	Chief Executive	Public Sector Decarbonisation Grant (OMBC) – Alexandra Park	Grant Assurance	Q1	Assurance
22	Chief Executive	RED WoLF - Rethink Electricity Distribution Without Load Following	Grant Assurance	Q1	Assurance
23	Chief Executive	Omicron Hospitality and Leisure Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
24	Chief Executive	Additional Restrictions Grant Pre & Post Payment Assurance (PPAS)	Grant Assurance	Q1	Assurance
25	Chief Executive	COVID-19 Business Grants Fraud and Error Assurance	Grant Assurance	Q1	Assurance
26	Chief Executive	Local Restrictions Support Grant (Closed) Addendum 5	Grant Assurance	Q2	Assurance
27	Chief Executive	Local/Mayoral Election - Post Votes Review	Report	Q1	Advisory
28	Chief Executive	Local Elections Postal Vote Checks	Briefing note	Q1	Advisory
29	Children & Young People	Glodwick Infant and Nursery School	Report	Q2	Adequate

Key:

Opinion	Description
Advisory	The work in this area is either not audit work in nature and/or is undertaken on behalf of third parties.
Assurance	The work in this area has been undertaken in order to provide assurance that funding has been spent as intended.
Poor	Action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and/or control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Inadequate	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and/or control to effectively manage risks to the achievement of objectives in the area audited.
Adequate	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance and/or scope for improvement were identified which could put at risk the achievement of objectives in the area audited.
Good	A sound system of governance, risk management and/or control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Opinion withheld	Opinion has been withheld at interim stage pending further fieldwork required at final report stage in order to arrive at an opinion on the systems and controls in place.
TBC	Opinion awaiting confirmation following further discussion with management.

Audit and Counter Fraud 2022/23

Counter Fraud Results 1 April 2022 to 30 September 2022

Counter Fraud Team Performance Monitoring 2022/23	Quarter 1 (Month 1-3)	Quarter 2 (Month 4-6)	Total
Corporate Cases - Positive Results	58	10	68
Fraud and Error Overpayments identified as part of Corporate Cases (£)	£70,487.46	£53,591.92	£124,079.38
CTR cases amended as a result of an investigation	12	8	20
HB Fraud and Error Overpayments identified as part of a CTR investigation (£)	£32,179.15	£22,000.14	£54,179.29
CTR Fraud and Error Overpayments identified (£)	£10,462.14	£18,676.11	£29,138.25
Financial Outcomes	£113,128.75	£94,268.17	£207,396.92

Audit and Counter Fraud 2022/23

Direct Payments Results 1 April 2022 to 30 September 2022

Adults Social Care

Financial Year 2022/23	Number of Audits Reviewed	Total Direct Payment and Financial Contribution for Recovery
April	129	£372,125.60
May	83	£188,483.36
June	91	£237,602.47
July	153	£392,376.24
August	98	£251,587.73
September	85	£263,925.00
Total	639	£1,706,100.40

Children and Young People

Financial Year 2022/23	Number of Audits Reviewed	Total Direct Payment for Recovery
April	20	£10,846.10
May	10	£8,805.31
June	7	£10,707.09
July	17	£9,205.66
August	18	£10,943.14
September	20	£10,849.51
Total	92	£61,356.81